From: "Ervin Ramos"

Sent: 8/29/2005 11:36:00 AM

To: <Tom_Lennox@abercrombie.com>; <Jill_Swansegar@abercrombie.com>; <Adam_Kessler@abercrombie.com>; <Bruce_Asbury@abercrombie.com>

Cc:

Bcc:

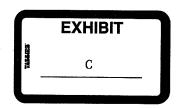
Attachments: WSJ 8_29_05 AF1003.jpg; WSJ 8_29_05 AF2004.jpg;

Subject: Wall Street Journal August 29 2005 - A&F

Dear All,

Please find attached to this email the article in today's Wall Street Journal, Monday, August 29, 2005.

Warmest, Ervin - WSJ 8_29_05 AF1003.jpg - WSJ 8_29_05 AF2004.jpg



Abercrombie Stock Sales Draw Concern

By GREGORY ZUCKERMAN

ISAPPOINTING EARNINGS from Abercromble & Fitch Co. sent shares of the teenfashion retailer skidding earlier this month. But just ahead of the quarterly report came a surge of stock sales by the company's chairman and chief executive, Michael Jeffries. And some investors also are ques-



investors also are questioning whether Abercrombie provided investors with good news about certain apparet, helping to push the

about certain apparet, helping to push the stock price higher, while withholding more downbeat information in the weeks leading up to the financial report and subsequent selloff.

Certainty, the timing of Mr. Jeffries's selling is eye-catching. On July 7, Abercrombie reported better-than-expected sales for the five-week period ended July 2. The day of the sales announcement, the stock traded as high as \$74.10, before closing at a 52-week high of \$73.14.

On the same day, Mr. Jeffries, 60 years old, began relibit large; hunks of shares; Duribe the next week. Mr. Jeffries; sold-ingure than 115 publical shares at prices between \$70 and \$73.80 a share, bringing in about \$110 million, according to Thomson Financial. He sold an additional 111,100 shares in the following track at abrost \$70 a share, pening already \$150 million.

week at almost \$70 a share, reaping almost \$8 million. In a statement, Mr. Jeffries said: "I sold the shares as part of my ongoing personal financial plan, which naturally seeks some diversification." He added that, "I do not have control over the movement of the stock, nor can I predict bow the stock price is going to fluctuate. I can only stay focused on running the business. I continue to hold a substantial equity stake in the company."

The selling turned out to be quite fortuitous for Mr. Jeffries. In early August, Abercrombie shares began to move lower. Then, on Aug. 16, the New Albany, Ohio, retailer surprised Wall Street with a second-quarter profit of 63 cents a share, 43% higher than last year's second quarter, but below the 69 cents a share that analysts had expected. Even though the company boosted its full-year earnings guidance, the stock has since fallen to \$57.39. That is down about 20% from when Mr. Jeffries did his big selling.

As a result, Mr. Jeffries avoided about \$22 million of paper losses by selling 1.62 million shares in July. The sales came from exercising about 1.8 million stock options with strike prices of \$8 and \$23.41. Overall, Mr. Jeffries has sold two million shares this year, netting \$133 million, compared with sales of \$600.600 shares last year, 950,000 shares in 2003, and 50,000 shares in 2002.

After selling the two million shares, he now owns 339,000 shares, according to the company. He also holds stock options of around 7.5 million shares, though not all are exercisable. And Mr. Jeffries may be eligible to receive one million shares on Dec. 31, 2008, if he remains employed Please Turn to Page C4, Column 4

CEO of Abercrombie Executed Share Sale With Trés Chic Timing

with the company until then.

Abercromble's shares have risen substantially from a level below \$20 three years ago, encouraging a number of executives to sell some of their shares this than the company that the company has extensive blacked dones during which executives note that the company has extensive blacked.

has extensive blackout dates during which executives are
probibiled from trading the stock, such
as periods before monthly sales figures
and quarterly earnings are released, so
executives can trade the stock only during 76 days of the year.

But the stock sales stand out because
Mr. Jeffries hadn't sold more than 26,000
shares during any week in the past nine
years, according to Thousan Financial,
His weekly sales have generally been about
100,000 shares, according to securities filines, indeed, in the week ended Aug. 13,

100.000 shares, according to securities filings. Indeed, in the week ended Aug. 19.
Mr. Jeffries resumed his previous pattern
by seiling 100.000 shares at \$55.50 each.

"This is substantial seiling," says Bark
LoPresti, senior quantitative analyst at
Thomson Financial, who locuses on trading by corporate insiders. "The stock had
risen for about a year but his seiling
wasn't very heavy" until this summer.

Some builts on Abertrombie say they
are unfated by the stock-reling.

"It doesn't bother us. We see many
company executives sell well below
where their shares eventually go," says
David Keldan, president of Bockingham
Capital Management in New York, which
held more than one nillion shares of Abercrombie at the end of the second quarter, and continues to hold the stock.

Meanwhile, in February, Abertrombie adopted a potley of no longer providing quarterly guidance for investors. It
will continue to provide monthly sales for
its retail chains, which include Abertromble & Fitch and Hollister Co., as well as
unnual carnings guikance.

But in its June 2 release, the company
denim sales" had jumped 169% in May.
That metric—which hadn't been included
in previous releases and wasn't in subsequent statements—came and investor
worries at the time about a glut of highpriced denim at stores the Abertromble
Analysis say they were told by company
officials that the figure was provided as
part of an elfort to comfort investors. after
an analyst ruised concerns about the Issue.

But some investors now ask why Abercrombie provided a new figure that
helped condort investors, easing the way
for the stock to rise, but did nothing to
after thivestors to the fact thail the company's ungaripas would be lower than some
investors now ask why Abercrombie provided a new figure that
ages about 520 railion and has bet against
Alectromble shares. "They implied that
denim as supprises for some newstors
when carnines were unveiled.

"This was not an effort to manage Wal

"This was not an effort to manage Wal

"This wa

FOIA Confidential Treatment Requested, Contact Samuel J. Winer, Foley Lardner, 3000 K Street, N.W. Suite 500, Washington, D.C.